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CITY OF TORONTO
PLANNING AND DEVELOPMENT DEPARTMENT

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Economic Dev.
June 5, 1984

To: Neighbourhoods Committee

Subject: Report on Small Business

Origin: City Council, September 19, 1983 (c7lnhc84051:24)

Background

In September of 1983, Mayor Eggleton tabled his report, "A Jobs and Economic Development Strategy for Toronto". At its meeting of September 19, 1983, City Council adopted Recommendation 4 of the Mayor's report which concerned small business and recommended the creation of a small business information and assistance program at City Hall. Recommendation 4 further requests the Commissioner of Planning and Development to report on the direction and content of a proposed Small Business Information and Assistance Program, as proposed in the report, ensuring close collaboration in the matter with the Ontario Ministry of Industry and Trade and the Federal Departments of Industry, Trade and Commerce and Regional Economic Expansion.

Alderman Ron Kanter expressed his interest in this small business initiative and was asked by the Mayor to develop the concept further. Alderman Kanter and my staff have held a series of discussions with senior levels of government, business organizations in the City, and individual small business operators to assess the feasibility of a City-run Small Business Information and Assistance Program. This report sets out the importance of the small business sector to the City's economy and the results of our meetings to date. It provides the justification for City involvement in assisting independent small business and outlines the services such a program could provide.

The Importance of Small Business

Small business is usually defined as a firm employing less than 50 employees. Many recent studies have documented the importance of small business to economic growth. In 1983, the Canadian Federation of Independent Business released a study which showed that the largest gains in employment and jobs created were provided by firms with 50 or less employees. The CFIB study also showed that in the past, large businesses had contributed 30% of all new jobs, but during the recent recession, many of these jobs were lost. A recent Federal government study confirms these results: companies with fewer than 100 employees generated more net new jobs than larger firms. The CFIB study projects that by 1990 small and medium sized enterprises will generate 6.2 million

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jobs in Canada vs. only 2.4 million jobs being generated in large corporations and 2.7 million jobs in the public sector.

The recent employment profile of Metro Toronto reveals that 64,284 firms or 94% of the total number employ less than 50 people. The proportion of small business in the City of Toronto is even higher, 28,807 or 96% of the City's firms are small businesses.

With these facts in mind, the job creation potential of the small business sector in the City of Toronto is particularly significant. If the projections of the CFIB study hold true, then the small business sector will increasingly be the major source of jobs in the City's economy. Assisting these firms to grow, then, is a key City priority.

Work to Date

In determining the feasibility of a City-wide program of small business assistance, two work items were identified:

1) A review of all existing government programs dealing with small business (a summary of applicable programs is appended to this report); and,

2) A series of consultative meetings with senior levels of government, business associations and individuals.

With the participation of Alderman Kanter, one meeting was held with representatives of Ontario Ministry of Industry and Trade, Small Business and Investment Opportunities Branches, the Downtown Business Council and the Metropolitan Toronto Board of Trade. A further meeting was convened with representatives of the Government of Canada, Department of Regional Industrial Expansion, and the Federal Business Development Bank. A representative of the Canadian Federation of Independent Business was invited but did not attend.

My staff had several subsequent meetings with individual small retail merchants in the City, staff of local branches of chartered banks and additional meetings with the Federal Business Development Bank. A meeting was also held with representatives of the City of York Business Development Centre, and contacts were made with the Director of Business Development for the City of Ottawa whose Department oversees the operation of a small business assistance program in that city.

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Findings

1) There was general agreement among all parties consulted that additional help for small business is warranted.

Senior government officials were unanimous in their calls for increased help for small business. Several small business advisors who attended the meetings also agreed that new entrepreneurs have limited knowledge regarding business planning and in many cases the local municipal government is closest to the needs of its small business constituents. Small business people themselves have indicated uncertainty about government programs and regulations.

2) The government of Ontario, through the Ministry of Industry and Trade, does not have the resources to provide a desirable level of service to small business.

In the past few months, the Ministry of Industry and Trade has been restructured to put more emphasis on research and policy issues as they affect small business. While the Ministry continues to offer a wide range of assistance programs, most of the face-to-face contact with business and industry is done by the regional offices.

The domestic field office of the Ministry of Industry and Trade responsible for Toronto is located in Willowdale and also serves the whole of the south central region of Ontario. In addition to its distance from the City of Toronto business clients, each Ministry consultant has over 600 client firms to look after. The consultants may also have upwards of 60 telephone calls on an average day which results in very little time being available for individual consultations. This situation is not expected to improve because of provincial staff reductions.

One way of alleviating this problem and improving program delivery would be provincially sponsored training for City staff in the areas of provincial government programs. This issue has been raised with the Ministry and requires further discussion. The Ministry has also been receptive to the suggestion of providing the City with copies of the provincial publication Starting a Small Business in Ontario. A Toronto small business insert could be developed for distribution with the province's book.

3) The federal government provides business information services through the Department of Regional Industrial Expansion (DRIE) but small business counselling is not its mandate.

The federal government has also recently re-organized its industrial and regional development departments. The former Department of Industry, Trade and Commerce (ITC) and Department of Regional Economic Expansion (DREE) have been amalgamated into a new Department - Regional Industrial Expansion (DRIE). Although the Business Information Centre, which was formerly under Industry, Trade and Commerce, has been retained, it is not specifically designed to accommodate small business assistance. DRIE administers a large number of financial assistance programs which are primarily aimed at manufacturing and processing operations. The Department's fundamental orientation is towards regional and industrial development and their program's applicability to small business is limited. Representatives of DRIE attending our meeting stated that small business counselling fell into the category of "non-funded assistance" and could be better handled by other agencies, including the local municipalities. DRIE would encourage this kind of initiative.

4) The Federal Business Development Bank (FBDB) has programs and funding in place to provide a high level of service and expert counselling to the small business community.

The FBDB's mandate has been changed and it now provides a wide range of counselling and educational seminars to business as well as acting as a lender of last resort. However, the bank increasingly sees its role as supplementing the private sector lenders rather than competing with them. Their major small business program is known as CASE (Counselling Assistance to Small Enterprise). Under this program, counselling is provided to small business people on a one-to-one basis by retired businessmen who have broad practical experience.

Despite a large number of counsellors available in the Toronto office, there are a number of ethnic business groups within the City who have not been well-served by the FBDB's CASE program. Representatives of the FBDB have suggested that the City could jointly sponsor business information seminars with the Bank. The City might consider providing space and/or translation services for these seminars while the FBDB could adapt the program content to suit the needs of particular business groups.

The City could also encourage business networking as part of its small business mandate, while at the same time publicizing and encouraging the use of FBDB services. As part of its services, the City might also be able to make direct referrals to CASE counsellors. Representatives of the bank also suggested that the City might also link into the FBDB's

computerized database to provide up-to-the-minute information on government programs and assistance.

5) The City of Toronto, in co-operation with Metro Toronto, should work toward the goal of a "one-stop shop" for licensing, permit approvals, and business information and services.

One of the most frequent concerns expressed during our meetings was the frustration of dealing with the large number of agencies and departments involved in the business start-up process. At present, there is no one individual or department in the City or Metro which has been identified as a resource for new business inquiries. Federal government officials are unaware of whom to refer small business clients to, and they are unaware of the extent to which the City provides any small business assistance. Similarly, small business clients have been referred from the provincial government offices to various departments at City Hall leading to confusion and lost opportunities.

The consensus that emerged was that a comprehensive business information resource centre, preferrably at the local level, should be established. This centre would ideally offer a full range of information on government programs, basic business counselling, municipal regulations and licensing for new and existing small businesses.

This "one-stop shop" idea has much to offer. While it is not immediately practical to commit substantial resources to provide additional physical space for a small business centre, and while the one-stop shop will require more discussion and agreement among several levels of government, the feasibility of a facility with a physically separate location should be studied further as a longer term goal.

In the interim, the City itself can offer business information referral services and basic business counselling modelled after the type of service which the Economic Development Division currently provides for film and television production. Basic business counselling would include:

- identifying for entrepreneurs the key steps required in setting up a business
- providing economic data to business people to help in business planning

- advice on the kinds of information that banks and regulatory agencies are likely to request from small business people
- advice on where specialized counselling and professional services can be obtained

While moving forward on the one-stop shop concept, these intitial services can be provided by existing staff of the Economic Development Division.

6) The representatives of the small business community we talked to cautiously endorse City initiatives to serve small business.

The primary concern of most small business people is that governments not create another level of bureaucracy in efforts to "help" them. However, the City's track record of service to its small retail business community and business improvement areas (BIA) is generally viewed as good. This provides an important base of credibility which we can build upon. If a small business information and assistance program can be established that is sensitive to the needs of the individual entrepreneur then it will be viewed as a positive step. Of even more benefit to the small business community would be the consolidation of a number of City and Metro regulatory approvals under one roof. However, this idea is not a prerequisite for a credible program of small business assistance.

The representatives of the small business community also had a number of excellent suggestions which could ultimately be incorporated into the proposed program. One of these is the idea of a highly visible ombudsman for business at City Hall.

7) There are precedents for local municipal support of small business assistance elsewhere in Ontario.

The City of York and the City of Ottawa have financially supported the establishment of small business centres in their respective cities. In both cases, start-up funding was obtained from the Ontario Ministry of Trade and operating funding is partially subsidized by the individual municipalities. In both cases, the centres are operated by a General Manager who reports to a Board of Directors composed of local business people, academics and elected officials. However, the City of Ottawa is reconsidering its continued support of a privately managed small business centre, and may act to move it into City Hall.

There are strong reasons for a City-run program. Experience in other jurisdictions has shown that small business counselling takes more time and resources than a private individual or company may be willing to commit. However, there is a definite social return on investment in small business counselling which underscores the need for a municipal role. Moreover, a City-run program, with regular input from the business community, can effectively and impartially refer small business clients to private sector sources of management consulting, financing, etc.

8) <u>There appears to be a role for the City in providing business information and assistance to entrepreneurs and small business</u>.

Based on the meetings so far, it appears that increased City involvement in helping small businesses would be well received. However, the City's initiatives should start modestly and progressively expand the range of services provided over time. It will be crucial to build upon the credibility that comes from delivering what is promised.

The following services can be offered as part of the City's small business information and assistance program. They have been grouped in the following categories:

<u>Proposed Small Business Services</u>

A) <u>Services which are implementable immediately.</u>

- Providing information on regulations and approvals necessary to start-up business in the City of Toronto.
- Where necessary, referrals should be made to the specific individual, department or agency of the City, Metro, university or college business schools, provincial or federal government who can assist the small business person.
- In the case of new entrepreneurs, provide basic business counselling in terms of writing a business plan, sources of financing, types of business organization, and locational information.
- Work in conjunction with existing business improvement area co-ordinators and City staff to co-ordinate the City's small business and commercial strip strategies.

B) Services which are clearly achievable and which should be implemented as soon as possible.

- Establishment of a business advisory group that would meet as required to guide City staff in providing needed services to small business.
- Establish a close working relationship with the Federal Business Development Bank (FBDB) initially to refer clients to the CASE program counsellors.
- Develop a handbook for small business in Toronto which would be ancillary to the Ontario government publication Starting a Small Business in Ontario.

C) Services which will require consent of and liaison with other agencies.

- Co-sponsor seminars with the FBDB for new entrepreneurs and specific business groups within the City.
- Initiate discussions with the Ontario Ministry of Industry and Trade regarding training for City staff members involved in small business counselling.
- Establish a computer link-up with the FBDB's assistance program database.
- Investigate further the feasibility of a one-stop shop to provide an integrated business registration, licensing and business assistance and counselling service under one roof.

Recommendations

1) That Council approve a small business information and assistance program implementing the proposed services for small business contained in this report, utilizing existing staff of the Economic Development Division.

2) That the Mayor in consultation with other members of City Council be requested to appoint a small business advisory group to meet as required to advise staff on issues related to small business in the City, particularly as they relate to the City's small business information and assistance program.

3) That Council authorize the Commissioner of Planning and Development to initiate discussions with the Federal Business Development Bank regarding joint sponsorship of business information seminars and the feasibility of a computer link-up with the FBDB's assistance program database.

4) That Council authorize the Commissioner of Planning and Development to investigate opportunities for staff training with the Ontario Ministry of Industry and Trade.

5) That Council direct the Commissioner of Planning and Development in consultation with the City Clerk to prepare information materials relating to the City's small business assistance program.

Stephen G. McLaughlin,
Commissioner

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Appendix A

Federal Government Assistance for Small Business

Consulting

- Federal Business Development Bank
  - Business Information Seminars
  - Consulting Assistance to Small Enterprises (CASE)
- BOSS - Business Opportunities Sourcing System
- Management Excellence in Small Business Program

Financial

- Small Business Loans Act
- Small Business Bonds
- Federal Business Development Bank Financing
- Investment Tax Credits
- Tax Carryback and Carryforward

Export

- Program for Export Market Development (PEMD)

Research and Development

- IRAP-H - for small firms employing undergraduates
- IRAP-M - for small technology based manufacturers
- Incubator Program
- Canada Patents and Developments
- University of Waterloo Enterprise Development

Provincial Government Assistance for Small Business

Consulting

- Industry and Trade Research
- Small Business Development Branch Advisory Services
  - Financial Planning and Management
  - Entrepreneurial Consulting
- Small Business Management Development Program
- University Small Business Assistance Program

Financial

- Small Business Development Corporations (SBDCs)
- Ontario Development Corporation
- Small Business Tax Holiday
- Special Small Business Tax Rate

Export

- Export Success Fund
- Trade Aids
  - Manufaccuring Opportunity Shows
  - Regional Trade Fairs
  - Export Consortia

Research and Development

- PEPPI - program to encourage product and process innovation
- SBITP - small business industry technology program
- TAP - Technological Assessment and Planning